

# Marketing And Profitability of Olympic Games

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**Keywords:** Marketing, Profitability, sponsorship1. introduction.

**Abstract:** This article will analyze the influences of different venues on the commercial and economic value of the Olympic Games, the commercially online and in-person marketing, as well as the different marketing strategies of various Olympic Games. Additionally, this article will expound on the variety of strategies pre- and post-commercialization of the Olympics and will use examples such as the London Olympics. Lastly, this article will evaluate the Profitability of Olympic games, analyze, compare and contrast the expenditures and revenue of successive Olympic Games. Using what's mentioned above, this research will indicate advantages and disadvantages, explain its impact and propose relatively reasonable initiatives and plans that are beneficial to future development.

## 1. Introduction

The Olympic Games is a quadrennial sports event, it is considered to be one of the largest sports events in the world [1-2]. The market brought by the Olympic Games contains a huge economic value and has great valuable commercial benefits for sponsoring brands, especially local brands in countries that host the game. Revenue from the Olympics comes mainly from the sale of broadcast rights, tickets, sponsors, and related products (such as Olympic mascots). Sales of broadcast rights account for the largest share of revenue (which is about 30 percent). For instance, the London Olympics' revenue from sales of broadcast rights is about 2.9 billion dollars [3].

Firstly, the article considers the Athens Olympic Games as a case study of the economic, social, and cultural aspects of the Olympic Games' influences which is before commercialization [4].

A successful Olympic Games can provide long-term, positive benefits to the venue or even the entire country. Further research suggests that the Olympic Games can contribute a positive impact on tourism. In 2004, The Sports Journal points out that "The Olympic Games will attract high-income tourists and create a new generation of tourism, they tend to visit that city or country more than once. The Olympics creates a positive tourism profile for the country that hosts it, and improves modern tourists' facilities." Furthermore, the author mentioned that the Athen Olympics was extremely beneficial for Greek tourism, the number of tourists to Greek increased by 60%, which is a total of 20 million tourists since 2010.

Other research of this journal suggested that from 1998 to 2004, the proportion of international tourists to Athens increased from 18% to 22% [5-6]. This study shows that successful, uncommercial Olympics are less economically valuable than modern ones, but still promote tourism and culture. In the same journal, the author demonstrated that Olympic profit and deficit are the crucial aspects to define the success of the Olympic Games [7]. The Athens Olympics had the fewest sponsors in history, and with all kinds of financial issues, nearly 10 billion were lost that year (revenue was about 1.9 billion).

Then, the article uses the Los Angeles Olympics as an example to show positive and negative aspects of commercialization which is commercialization.

The economic value brought about by the commercialization of the Olympic Games can provide gradual development of the host country's economy. Sponsors and partners can produce new well-known products or brands or expand their reach through effective operations. Chunming Liu stated

that the Olympics “first tried funding agreements with conglomerates to sell broadcasting rights and match tickets to reduce expenses.” in his article.

Communization generated this Olympic a surplus of about \$240 million [8]. The article also points out that excessive commercialization may affect the normal conduct of the Olympic Games and may distort/alienate the Olympics' purpose. In 1988, Juan Antonio Samaranch (President of the International Olympic Committee (IOC) from 1980 to 2001) points out that commercialization is one of the most powerful factors to adapt sports events to modern society [9]. This concept was first practiced at the LA Olympics, and as mentioned earlier, succeeded. Ueberroth generated a surplus of \$237 million by selling broadcast rights, commercial sponsorships, and tickets, among other economic sources, with almost no government input or aid and minimal donations. Following the success of the Games, the IOC proposed the Olympic Global Partnership Program (TOP), which grants commercial use rights to the Olympic rings logo of companies that sponsor the Games, encouraging the idea of sports marketing and promoting the development of sports marketing [10].

This article analyses the influences of different venues on the commercial and economic value of the Olympic Games, the commercially online and in-person marketing, as well as the different marketing strategies of various Olympic Games.

## 2. Economics’ impact of Olympic

The data provided in the following Tables show that the commercial Olympic games since 1984(Los Angeles Olympic Games) brought various commercial and economic benefits. Table I shows the variables (all growth) of the host country's GDP in the period before and after the Olympic Games, indicating that the Olympic Games have a great effect on promoting local economic development. Table 2 points out the changes in foreign investment in the host countries during the Olympic Games, which can be seen to attract investment significantly. Table 3 shows the direct creation of employment opportunities in the Olympic Games. Table 4 shows that the Olympic Games have a positive impact on the local tourism industry, the number of tourists significantly increased.

Table 1. Growth Rate of GDP of countries hosting Olympics

Olympic games	Pre game phases	Game phases	Post-game phases
Atlanta 1996	6.2%	5.7%	6.2%
Sydney 2000	5.5%	7.5%	6.3%
Athens 2004	9.1%	7.7%	7.7%
Beijing 2008	14.2%	9.6%	9.4%
London 2012	2.9%	4.5%	3.7%

Table 2. Growth in Foreign Direct Investment of countries hosting Olympics

Olympic games	Pre game phases	Game phases	Post-game phases
Atlanta 1996	12.5%	10.6%	7.9%
Sydney 2000	14.1%	1.3%	15.1%
Athens 2004	14.7%	7.7%	2.4%
Beijing 2008	18.9%	11.0%	11.0%
London 2012	10.1%	19.5%	12.3%

Table 3. Job resulting directly from Olympics in countries hosting Olympics

Olympic games	Pre-game phases	Game phases	Post-game phases
Atlanta 1996	2472	5000	77206
Sydney 2000	5300	5300	15600
Athens 2004	15000	2300	60000
Beijing 2008	1900	2788	50000

Table 4. Number of Tourists in countries hosting Olympics

Olympic games	Pre-game phases	Game phases	Post-game phases
Atlanta 1996	41900000	43900000	43100000
Sydney 2000	8000000	8700000	8600000
Athens 2004	3034913	3872156	3330000
Beijing 2008	4100000	3300000	3500000
London 2012	31000000	30000000	31500000

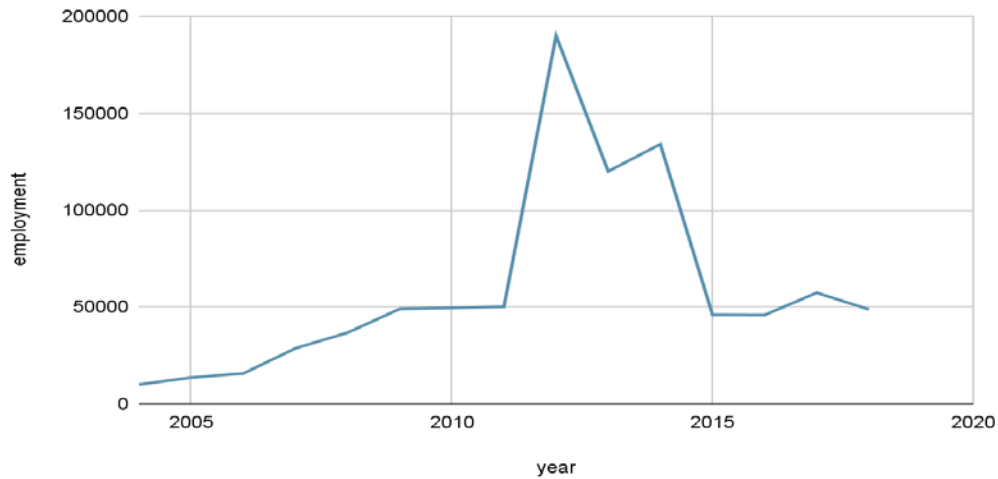


Figure 1. Employment of United Kingdom (2004 to 2018)

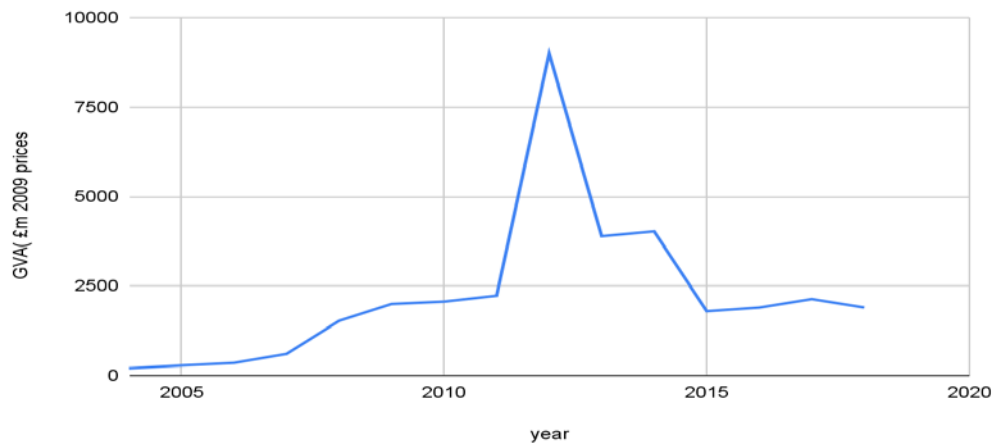


Figure 2. Gross value added of the UK(GVA) 2004 - 2018

The above figures were the Employment and gross value added of the UK since 2004. Both data peaked in 2012, which is at the period of the London Olympics, confirming the aforementioned concept. The rise of employment and GVA is a result because of the development of retail, tourism (attracting tourists through sports, entertainment), and other industries such as creative and high-tech industries brought by the Olympics and related markets. Then we consider two examples to analyze its impact in detail.

### **3. Beijing Olympics**

#### **3.1. Direct economic benefits**

##### **(1) A large number of funds will be directly invested in areas dominated by the host area.**

Ensuring the perfection of infrastructure: As the Olympic Games are held, Beijing takes this opportunity to vigorously improve the infrastructure so that communications, transportation, electricity, accommodation, transportation, and public signs in various places are gradually improved. my country's investment in urban infrastructure projects such as subways, airports, and station constructions are relatively large. These projects are part of the construction of Beijing and other regions. They are not only of great significance for ensuring the success of the Beijing Olympics but also for the construction of Beijing and other places. The improvement of living conditions has long-term significance. According to statistics from the National Bureau of Statistics, between 2004 and 2008, Beijing's GDP increased by 105.5 billion yuan due to Olympic factors.

##### **(2) Driving the national and regional economy**

Beijing's total investment in hosting the 2008 Olympic Games is expected to reach about 16 billion U.S. dollars, or about 132.3 billion yuan, of which the organizing committee's budgetary expenditure is about 1.6 to 1.8 billion U.S. dollars. Expenditure) is about 14.4-14.4 billion U.S. dollars. According to statistics from the well-known organization Goldman Sachs, after Beijing's successful bid for the Olympics, from 2002 to 2008, China's economic growth rate will increase by an additional 0.3% each year. China's economic development will be greatly accelerated, and the additional GDP will reach 1.376 trillion yuan in seven years.

##### **(3) Television relay income and other income**

Television broadcasting income has always been one of the main incomes of the modern Olympic movement, with an income of 709 million US dollars, accounting for 43.6% of the total income. Other income includes logo franchise income, official supplier income, lottery income, ticket income, donation income, property sales income, etc., which together account for 43.6% of the total income.

#### **3.2. Indirect economic effects**

##### **(1) Maximize employment promotion**

If the Beijing Olympic Games' new investment of 132 billion yuan is used, and every 100,000 yuan of investment adds 1 job opportunity, the Beijing Olympic Games will create 1.3 million new jobs. Environmental protection industry, electronic information industry, cultural and sports industry, tourism industry, information service industry, etc., mainly the tertiary industry. The increase in employment is mainly concentrated in the six years from 2004 to 2009, and the peak will appear from 2006 to 2009.

##### **(2) Active promotion of tourism and commerce:**

The hosting and preparation of the 2008 Olympic Games will attract a large number of tourists from all over the world. In 2008, there will be 5 million overseas visitors to Beijing. The tourism revenue brought by the Olympics to Beijing will reach 170 billion yuan.

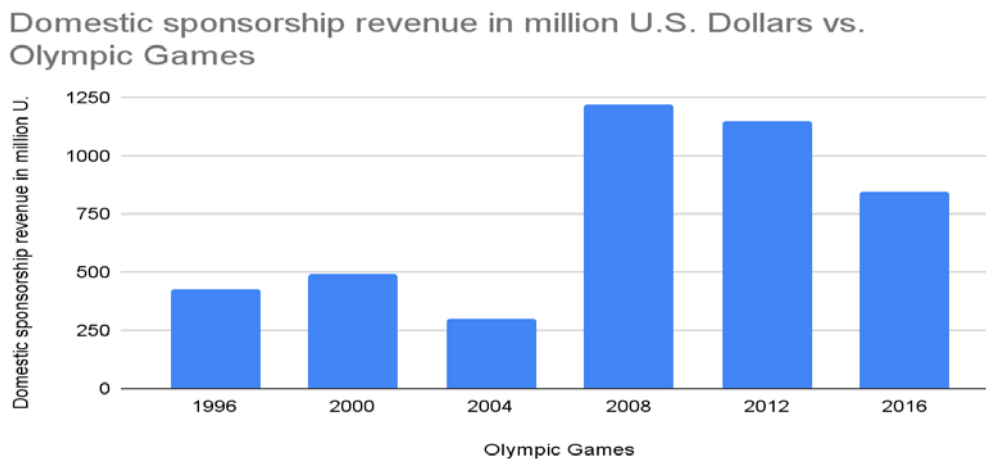


Figure 3. Olympic summer games-revenue generated from domestic sponsorships 1996-2016

Based on Figure 3, we can see that most of the Olympic sponsorship income from 1996 to 2016 was quite high, and the sponsorship income of the 2008 Beijing Olympic Games ranked first. This shows that the commercialization of the Olympic Games can bring considerable economic benefits to the host country. Among them, Li Ning is the most eye-catching brand in this Olympic Games.

In the 2008 Olympic Games at China's door, large and small businesses entered the bidding for sponsors one after another. Local Chinese companies account for 70%. In addition to powerful state-owned enterprises, there are also some smaller companies. Everyone hopes to gain a huge advertising effect. In 2005, when bidding with Adidas, Li Ning gritted his teeth and filled in an "astronomical figure" that cost the company's life. As a result, the other party's number was several times larger than his. In the end, Li Ning failed to qualify as an Olympic sponsor, but this is not over yet. Li Ning decided to do more marketing around the Olympics, and strive to win the game. On the night of the opening ceremony, 2008 people beat and sang and 29 "big footprints" marched towards the bird's nest along the central axis. Suddenly Li Ning appeared with the "Auspicious Clouds" torch in his hand, hanging WIA on the "Auspicious Clouds" scroll above the Bird's Nest. "Run" for a week, and finally lit the main torch. People have long forgotten about the loss of sponsors. This "flying fire" has pushed the Li Ning brand's popularity to a new peak.

In its 2008 annual report. For the year ended December 31, 2008, Li Ning's revenue climbed 53.8% to RMB 6690.1 million. Among them, the sales of Li-Ning brand products increased by 49.7% to RMB 635,4238,000, accounting for 95% of total revenue. Profit attributable to equity holders jumped 52.3% to RMB 721267000.

#### 4. Tokyo Olympics

Based on Figure 4, it shows a rolling 7-day average. we can see that from March 1, 2002, to February 19, 2021, mainland China, Taiwan, and South Korea have almost controlled the spread of the epidemic. However, the epidemic in Japan is difficult to control. At the end of 2020 and May 2021, there will be an average of more than 6,000 new confirmed cases a day per week. Therefore, in March 2020, after discussions between Japanese Prime Minister Shinzo Abe and the International Olympic Committee, it was finally decided to postpone the 2020 Tokyo Olympics until 2021. However, the Tokyo Olympics to be held in 2021 is still called the 2020 Tokyo Olympics.

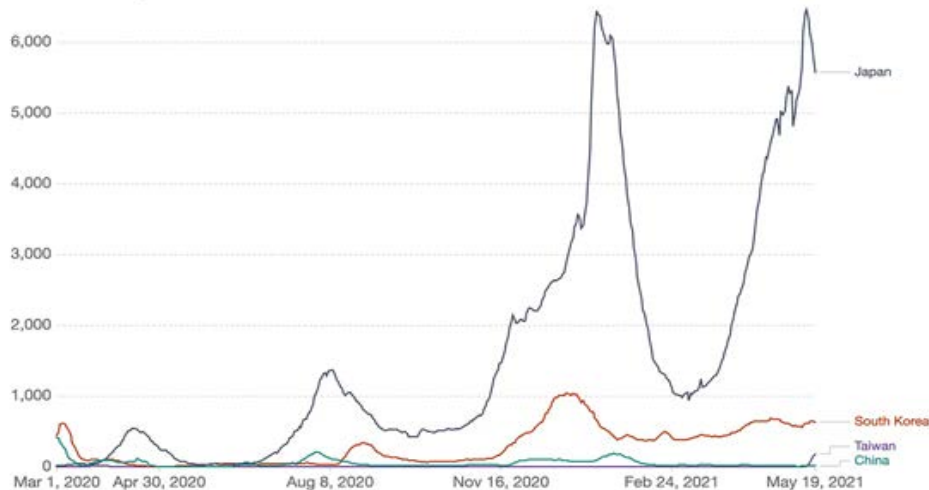


Figure 4. Daily new confirmed COVID-19 cases

In my opinion, the year-long postponement of the Olympic Games is very bad news for sponsors. On June 26, at the IOC member meeting held in Lausanne, Switzerland, John Coates, chairman of the Tokyo 2020 Coordination Committee, stated that Tokyo received a sponsorship of US\$3.1 billion from sponsors.

It is reported that the local sponsorship of the Tokyo Olympics is divided into three levels. At present, 15 top gold partners, 32 official partners, and 15 official supporters have been signed, for a total of 62 sponsors. Among them, the top gold partners need to pay a 9-figure amount, which is more than 100 million U.S. dollars

Cao Yaqi, deputy editor-in-chief of the Sports Weekly, said: “The postponement must have a certain impact, and the impact should be relatively large. First of all, we said that there are spectators in the European Cup as a result of the epidemic. In the case of the Olympics, there are not too many venues. The audience, even if there is, the audience is relatively small, so it does not include overseas tourists, which means that the Japanese Olympics has announced that it will not accept overseas tourists. For many brands, such as tourism, including many companies in Japan, he produces this kind of Olympic peripherals. The product, since there is no such movement of personnel, that is, the movement of international personnel has been banned. Then these sales are unlikely to generate brands to enter the Olympic Games and promote themselves. Then the sales of this behavior have been suspended in advance. So, including what we said before in a comprehensive large-scale competition, everyone will buy a lot of mascots, or peripheral products, then this Tokyo Olympics lacks this method, that is, no one can reach Japan, it is the sea. Amoy, I can buy some, and I feel that it lacks a bit of flavor when I buy it. So first of all, this kind of brand, this kind of enterprise has already been hit hard. On the other hand, sports marketing is ultimately a lot of people like to produce people and people. The interaction between people can make the marketing effect better. In the last ten years, a lot of brand marketing is to do some advertising. Then the most significant change in the last 20 years. We have participated in a lot of interactive stars, athletes, and sports teams, leading everyone to carry out a certain kind of brand marketing behavior. For example, it is to do the same action and shout the same slogan, similar to this way. In fact, there are more of these, including some brands that we have contacted ourselves, we will use some others, such as choosing some in-depth participation, for example, we all know that there are many brands doing activities, such as Olympic reporters, this kind of fact It is also a better way of transmission. There are very, very many ways. So the epidemic has caused many changes in the way of dealing with people. From this perspective, it is unrealistic to stop a lot of performance art or conduct some in-depth communication. There is no way to interact with people. So, for this brand to do Olympic marketing, there is actually a certain discount. Therefore, this year we have seen that there are actually more and more interactions between social media, but This kind of interaction is to gather a lot of people in an instant, but in terms of contact and in-depth participation, once the screen is turned off, there is no continuity like the previous one, because you

are directly interacting and spreading. After that, there is a second wave of publicity, and there is a deep level, that is, the second publicity. Now, it is equal to the end of this live broadcast interaction, and it is over. I think this aspect may actually be proposed for future marketing. Think more about it."

Although the Tokyo Olympics received 3.1 billion US dollars in sponsorship, I can still say without mercy that the 2020 Tokyo Olympics is the most expensive and also the most losing of all the Olympics. First of all, based on the Tokyo Olympic Organizing Committee's 5th edition budget plan, the current Olympic and Paralympic Games are expected to invest 1.644 trillion yen, which is more than the 800-billion-yen budget submitted during Tokyo's bid for the Olympics. double! Why does Japan insist on hosting the Olympic Games even when the epidemic is so severe? Because the Olympics are directly canceled, the estimated loss is 4.5 trillion yen or about 270 billion yuan; the postponed economic loss is 640.8 billion yen, or about 38 billion yuan, which can reduce some of the losses. The Tokyo Olympic Organizing Committee estimates that the cost of hosting the Tokyo Olympics will reach 15.4 billion U.S. dollars.

## 5. Conclusion

In general, this paper analyses the profitability of the Olympic Games from the economic variables of marketing, tourism, finance etcetera. Using data from several Olympic Games, the data includes more commercial Olympics: London Olympics, Tokyo Olympics, and relatively fewer commercial Olympics: Athens Olympics. Compare and summarize the sources of income such as commercial sponsorship and how it impacted tourism, employment, manufacturing, and other services, which analyses the economic, commercial value, and benefits. As mentioned above, the value and benefits of the commercialization of the Olympic Games are more intuitive, the instances such as the positive impact of the London Olympics on the UK tourism industry and other industries, and the resulting huge increase of GVA reflected how the Olympics promoted economic development. Overall, the business model and profit/deficit of the modern Olympic Games reveal the consequences of commercialization, creating new markets, and bringing growth to existing markets.

This article's research did not focus on one specific Olympic Game. Thus, the details of one Olympic were not fully analyzed, in the future will go deep into one typical instance and comprehensively interpret it.

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